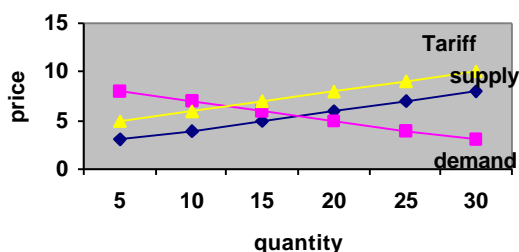


Transparency #1 Tariffs and Quotas

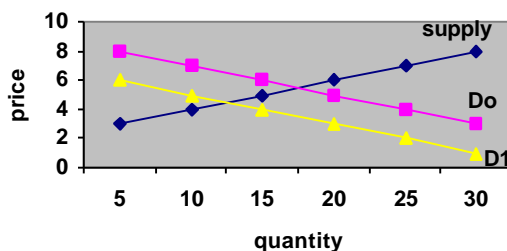
A tariff is a tax on imports. The price of the good with the tariff will go up.

Foreign Good



Customers can no longer buy foreign goods at the export price; they also must pay the tariff of \$2, so there is a decrease in supply at former prices.

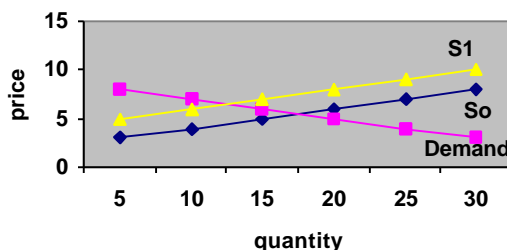
Domestic Good



Because the price of foreign goods, a substitute, increases, demand for the domestic good increases and consumers pay a higher price.

Quotas are a set limit on the number of foreign goods that can be imported. Quotas reduce the supply of the good, thus increasing price.

Market With Quotas



To Import or Not To Import

You are members of the law making body for the nation Tradeville. Tradeville is a democratic republic that has many elements of a market economy. The people of Tradeville believe strongly in individual rights, a clean environment, consumer protection, low unemployment and economic growth. Tradeville produces many of the goods consumers want. The most productive industry in the nation specializes in the production of clothing, but there are many firms emerging in the production of electronic goods such as radios, televisions, and computers. Because Tradeville has a very strong economy, many foreign firms have petitioned for approval to export goods to your nation. It is your job to consider each petition and determine whether or not you will allow the goods into Tradeville's market. If the good is allowed what, if any, restrictions will you place on the goods? Your group will create a document that states Tradeville's import policy for each of the goods and cites a rationale for the policy.

Petition #1

Washington Group, a firm from a neighboring nation, would like to sell sweaters in Tradeville.

Petition #2

Detroit Three specializes in the production of automobiles and wants the chance to sell cars to your people.

Petition #3

The Elitist Kingdom, a nation that only allows its wealthiest citizens to vote, would like to sell oil to Tradeville.

Petition #4

The Cocoa Republic, a less developed nation that allows sweatshops, would like to sell chocolate in Tradeville.

Petition #5

Tradeville buys 80% of its cotton from The Force Islands. The army of The Force Islands just invaded Textileland, another nation that produces cotton, to try and monopolize the world's cotton supply. The Force Islands would like to renew its trade agreements with Tradeville.

Petition #6

Tradeville currently buys 98% of electronic goods from Electra. Electra would like to continue exporting electronic goods to the Tradeville market.